

MR. SWEENEY: Thank you very much, Mr. Chairman, members of the Commission, and George Becker, for the invitation to speak to you today on behalf of the 13 million working men and women with the AFL-CIO. It's a particular pleasure to be here in Pittsburgh, a great union city, and as we just heard, the home of the United Steel Workers of America.

This Commission has important responsibilities. Not only are the short-term consequences of the trade deficit eroding manufacturing employment and depressing communities, but in the long run, the mountain of debt we are accumulating threatens our financial stability and our economic future. I hope in your deliberations and your report you prepare, that you will address both the short-term and the long-term consequences of the trade deficit. In my remarks today, I will focus on the short-term impact of the trade deficit on working families.

As the members of this Commission are well aware, the U.S. trade deficit has grown dramatically over the last several years, and is headed for another record-breaking year in 1999. The merchandise trade deficit is likely to exceed \$300 billion this year, up more than 50 percent from last year. Yet it is not just the size of the trade deficit that concerns working families, but

also its composition, its trend, and the underlying policies that contribute to this imbalance.

Working people know from direct experience the tremendous cost borne by families and by communities when imports or outsourcing displace good paying jobs. A \$300 billion trade deficit represents \$300 billion worth of goods not produced here in the United States, not supporting families, not contributing to the tax base.

While growth in the trade deficit may have only a small impact on aggregate employment, it clearly affects the composition of employment, causing manufacturing jobs to be replaced by lower-paying service sector jobs. The trade deficit has been a significant contributor to the loss of over 500,000 manufacturing jobs since March of 1998. This job loss affects not only the workers and communities directly impacted, but also the overall health of the United States economy, as the shift from manufacturing employment to service sector jobs contributes to greater wage inequality and slower productivity growth.

The trade deficit also drags down overall growth. In 1996, it reduced GDP growth by .27 percent.

In 1998, it reduced growth by 1.13 percent, and in 1999, it threatens to reduce growth by 2.23 percent. This growing negative impact is concentrated in the

manufacturing sector, with almost every individual industrial sector being impacted by the deterioration of the goods trade imbalance since 1997.

The recent growth in the U.S. trade deficit is due to many factors, none of which have easy solutions. Certainly the financial crisis, which has affected Mexico, East Asia, Brazil, and Russia, among others, has slowed U.S. exports and contributed to the rapid growth in U.S. imports. The dramatic currency devaluations engendered by the crisis radically changed the terms of trade with a large group of countries almost overnight, while the recessions that followed the financial crisis decimated potential markets for our goods. Their exports flooded our market, while ours languished for a lack of buyers.

The financial crisis is not the only reason for the growing trade deficit. It is not the only problem that we need to address as we seek fundamental reforms in the rules of the global economy, the rules governing trade, as well as the policies that affect investment, financial markets, and development.

Current trade and investment policies reward and encourage corporate mobility and flexibility, even at the expense of fundamental workers' rights, human rights, community needs, and the environment. Workers all over the world are told daily

that they must compete with each other and that the winners will be those who work for less, and endure the worst and most dangerous work places. This kind of competition offends our most precious values and corrupts our marketplaces.

The evidence is clear. Natural resources are depleted and the environment is degraded, while communities are left behind. Corporations are reaping unheard of profits. Their CEOs are compensated as never before. Global inequality is at an all-time high in the history of the world. This kind of competition must be brought to an end.

Unless and until we change the rules governing global trade and investment, American workers and their counterparts around the world will continue to shoulder a disproportionate share of the downside and costs of global economic integration.

A key part of the solution to the U.S. trade deficit is spurring growth in developing countries and ensuring an equitable distribution of that growth. This will not happen unless workers all over the world in rich and poor countries, are allowed to exercise their rights to form unions and bargain collectively. Trade policies and policies of international financial institutions must place a top

priority on protecting, promoting, and enforcing core workers' rights and environmental standards.

We must also ensure that developing countries have access to the resources they need to educate their children and build basic infrastructure, as well as implement and enforce higher labor and environmental standards. To that end, the AFL-CIO supports debt relief and development aid for countries that observe core workers' rights. Achieving democratic, sustainable, and equitable development is crucial to a healthy global economy, and all of our policies must support that end.

The dollar is over-valued today against many major currencies. This is a key factor in the growth of the trade deficit. U.S. policy must aim to bring down the value of the dollar by coordinated exchange rate interventions. At the same time, Japan and Western Europe must take steps to stimulate domestic growth, and the IMF must loosen the restraints on growth in the developing world.

National trade policies must change fundamentally, not just to reduce the trade deficit, but also to ensure that global competition stimulates equitable and democratic responses, not repression and environmental degradation. The U.S. Government must consistently and effectively demand the incorporation

of enforceable workers' rights and environmental protections into the core of all new trade and investment agreements; multilateral, regional, bilateral, and unilateral, including the Free Trade Area of the Americas, extension of NAFTA benefits to the Caribbean, and extension of trade preferences to Africa or other regions.

We will vigorously oppose any agreements that fall short of this standard. It is crucial that the United States not remain the exclusive dumping ground for excess production from all over the world. Other industrialized nations must absorb their share of exports from developing countries, certainly during times of crisis, but also at other times. The cartelized market for steel in Europe and Japan barely responded to the excess steel exported by the crisis countries, leaving the United States to bear a disproportionate burden.

COMMISSIONER BECKER: John, you know you are running over, I'm sure of that.

MR. SWEENEY: Just one second.

COMMISSIONER BECKER: Very good.

MR. SWEENEY: Thank you, Mr. Chairman.

This is also evident in the huge and growing bilateral trade imbalances the United States has with China and Mexico. Both of these countries

actually have roughly balanced trade with many European countries and Japan, while running a large surplus with the United States. The United States cannot remain an island of openness in a sea of closed markets.

The trade deficit is a problem that will get worse before it gets better. Unless we fundamentally change the rules of the global economy, strengthen our manufacturing sector, and address the obstacles to achieving sustainable and equitable growth, American workers will continue to pay the price for these failed policies.

Thank you. I appreciate it.

COMMISSIONER BECKER: Thank you very much.

Dr. Montgomery?